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PACIFIC AREA COORDINATION AND SECURITY

BY

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19 APRIL 1990

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SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER	2. GOVT ACCESSION NO.	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) Pacific Area Coordination and Security		5. TYPE OF REPORT & PERIOD COVERED Final Report
		6. PERFORMING ORG. REPORT NUMBER
7. AUTHOR(s) Mr. Frank A. Distasio		8. CONTRACT OR GRANT NUMBER(s)
9. PERFORMING ORGANIZATION NAME AND ADDRESS U.S. Army War College Carlisle Barracks, PA 17013		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS Military Studies Project
11. CONTROLLING OFFICE NAME AND ADDRESS Same		12. REPORT DATE 19 April 1990
		13. NUMBER OF PAGES 52
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		15. SECURITY CLASS. (of this report) UNCLASSIFIED
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report) Approved for public release; distribution unlimited		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) National interests, global and regional environment, geographical facts, national security strategy, market systems, South East Asian Nations (ASEAN), treaties, military interests, Conference on Security and Cooperation in Europe (CSCE).		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) National security is a basic reason for creating a nation--i.e., to be able to live free from harm or intimidation by other nations. The United States has used various approaches or strategies for promoting or protecting national security. A national security strategy is formulated based on three key types of variables: the national interests, the global and the regional environment, and the available elements of national power to promote or protect the interests. The national		

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interests include political, economic and military interests--both domestic and international. The environment includes political, social-cultural, economic and military developments across a region. National power includes military power plus economic, diplomatic and moral persuasion. When the interests, the environment or the power change, the government should determine if the change is significant. If significant, the rationale for the national security strategy in the region should be examined and, perhaps, the strategy should be adjusted. The facts presented on the Pacific region suggest significant changes in the environment. The facts suggest a rationale for adjusting the national security strategy by introducing a Pacific Area Coordination and Security regime. The regime or conference should address: military confidence-building measures and security interests; economic, technological and environmental issues; and human rights issues.

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USAWC MILITARY STUDIES PROGRAM PAPER

PACIFIC AREA COORDINATION AND SECURITY

**An Individual Study Project
Intended for Publication**

by

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**U.S. Army War College
Carlisle Barracks, Pennsylvania, 17013
19 April 1990**

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ABSTRACT

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DATE: 19 April 1990 PAGES: 50 CLASSIFICATION:
Unclassified

National security is a basic reason for creating a nation -- i.e., to be able to live free from harm or intimidation by other nations. The United States has used various approaches or strategies for promoting or protecting national security. A national security strategy is formulated based on three key types of variables: the national interests, the global and the regional environment, and the available elements of national power to promote or protect the interests. The national interests include political, economic and military interests -- both domestic and international. The environment includes political, social-cultural, economic and military developments across a region. National power includes military power plus economic, diplomatic and moral persuasion. When the interests, the environment or the power change, the government should determine if the change is significant. If significant, the rationale for the national security strategy in the region should be examined and, perhaps, the strategy should be adjusted. The Pacific region facts suggest significant changes in the environment. The evolving environment suggests a rationale for adjusting the national security strategy by introducing a Pacific Area Coordination and Security regime. The regime or conference should address: military confidence-building measures and security interests; economic, technological and environmental issues; and, human rights issues.

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INTRODUCTION

A basic reason for creating a country is security or, more specifically, national security -- the freedom from harm or intimidation by other nations. Initiatives for promoting the security and coordination among all the Pacific area countries are probably in every nation's best interests. The approaches for promoting coordination and security may be unilateral, bilateral or multilateral.

The United States (U.S.) has used all three approaches in different parts of the world, from time to time. At present, U.S. national security strategy in the Pacific region does not involve a multilateral approach. The likelihood of success for a multilateral approach would be contingent on finding common interests that are shared by all the participating countries. This paper examines the rationale -- shared common interests -- for adjusting the U.S. national security strategy in favor of a multilateral conference.

The national security strategy refers to the plan of action for promoting or protecting national interests within the region. The formulation of a national security strategy involves consideration of three key types of information: the national interests, the global and regional environment, and the available elements of national power to promote or protect the interests. The national interests include political, economic and military interests -- both domestic and international. The environment

includes the political, social-cultural, economic and military developments across the region. National power includes military power plus economic power, diplomacy and moral persuasion.

When either the interests or the environment change, ultimately, the government should determine if the change is significant. If significant, the rationale for the national security strategy in the region should be examined and perhaps the strategy should be adjusted. The facts suggest significant changes in the environment.

Adjustments to the national security strategy can include a wide range of options. Ideally, the options flow from a holistic evaluation of the international and domestic interests and environment. In this paper, I present an analysis of the American interests and the Asian environment. My intent is to present a way of thinking about national security strategy beyond containment. A review of the key facts, in my opinion, suggests a rationale for adjusting the strategy by introducing a Pacific Area Coordination and Security regime.

BACKGROUND

As the decade of the 1980's drew to a close, the existing world order in and between the Eastern and Western block nations was changing rapidly and radically. Just over two hundred years before, on October 19, 1781, General Cornwallis surrendered to General Washington and his allies at Yorktown, Virginia. This event sealed a radical change in the world order of the day; and, General Cornwallis had the British Army's band play, "The World

Turn'd Upside Down".¹

During the last months of 1989 and the first month of 1990, it certainly seemed as if the world was turned upside down. Almost all the attention was on Central and Eastern Europe. The very rapid changes in Europe overshadowed the more continual, but significant, changes in Asia. All during the 1980s, many East Asian nations experienced an extraordinarily successful drive towards industrialization.

The primary effect of the Asian change was in economics, but the incidental effects were also manifest in the political and the military environments. The primary focus of the European change was political, but the incidental effects were also felt in the economic and military environments. Literally, millions of people in many nations on both sides of the world were asking or demanding three things of their governments:

- o Self-determination with some sort of democratic system;
- o Economic improvements with some sort of market system;
- o Less threatening international situation with cooperation replacing confrontation.

These types of changes within nations and among nations are consistent with U.S. political, economic and military interests. The changes in both Europe and Asia are very significant.

The significance of the changes in the international environment suggest that now is the time to consider alternative

¹Bailey, Thomas A., The American Pageant, A History of the Republic, Boston: D.C. Heath and Company, 1961, pp. 120-121.

st. s that may better promote national interests in the
future. In addition, the U.S. federal budget and trade deficits
produce significant popular and Congressional pressures for
adjusting the national security strategy.

GENERAL REGIONAL FACTS

Asia and the Pacific rim region includes an immense area of
land and the world's largest ocean. On the east, the region
includes Canada, the U.S. and Mexico; Alaska and the USSR on
north; China and the Asian continent on west; and the Austral.
continent and the Pacific island nations on the south.

This immense area includes about 60% of the world's
population, all of the major religions of the world, hundreds of
ethnic groups and cultural experiences, and hundreds of languages
and dialects. The region includes the largest nation in land
mass, the largest in population and some of the smallest in both
categories.

The region is too large and too diverse for a comprehensive
and rigorous analysis within the time available. However, the
region can be subdivided into two groups: a core of countries
that are particularly important to the United States and all
other countries. The core includes Canada, Japan, Australia, New
Zealand, South Korea, Taiwan, Hong Kong, Singapore, Brunei,
Indonesia, Malaysia, the Philippines, Singapore and Thailand.

My focus is on that core countries and the other countries
in the Pacific rim only to the extent that the others impact on
the core. I generally exclude the subcontinent, the Asian

interior nations and the Middle East.

The core nations in the Pacific rim include about 500 million people. The region's economic growth rate exceeds that in other regions of the world; the rate for almost every nation in the core greatly exceeds that of nations elsewhere. The region also has the world's greatest accumulation of capital reserves. The large population base and capital suggest continuing exceptional economic growth potential.

Economic growth involves industrialization and urbanization. In a manner unlike any era before, this environment brings access to mass communications, particularly television, that provide visual images of world events and the living standards elsewhere in the world. All this produces pressures for higher wages and better living standards. This combination of demand and higher wages suggest exceptional consumer growth potential.

SCOPE

The scope of the paper is on U.S. national security strategy for the Pacific rim region. In order to address the rationale for a strategy, three subjects are explored.

- o First, what are the national interests? What is the broad vision or the more specific domestic and international objectives that the nation desires as the end result?

- o Second, what is the environment like in the region? What are the political, sociological-cultural, economic and military circumstances? (A combination of these circumstances influences the national and the international environment; from time to

time, one or more may dominate. The economic circumstances are presently dominant in the core nations while the military remains of great importance to national security. This paper principally addresses the economic and military environments.)

o Third, what are the means available for the nation to pursue a strategy? What resources, power or influence can a nation use to pursue its strategy?

CONTENTS OF PAPER

This paper is organized into a series of major sections that address key facts on National Military Strategy, the Asian Economic Environment, the Asian Military Environment, Cooperation and Security Experience, and the author's Reflections on ways available for pursuing the national interests. The next section reviews briefly the current U.S. national strategy and interests in order to provide a common frame of reference. The Economic section outlines the dynamic economic environment in which industrialization is producing significant economic power. The following Military section presents an overview of the evolving military environment in the region. The Cooperation and Security section provides insights on the confidence-building and arms control experience in Europe. The final section draws together and reflects on the preceding information to present a rationale for a national security strategy that includes promoting a multilateral conference on Pacific Area Cooperation and Security.

NATIONAL SECURITY STRATEGY

Every nation wants a safe world to pursue it's interests; but, there are different opinions about what constitutes a safe world and lots of different opinions on how to achieve a safe world. A national security strategy is a plan of action for promoting or protecting a nation's interest. This analysis begins with an examination of the national interests and then an examination of the rationale for the current national security strategy.

NATIONAL SECURITY INTERESTS

No single, official list of national security interests is published and periodically updated. On various occasions, national leaders use various terms such as interests, objectives and vision to describe the desired end state, i.e., what do we want at the end of the game? The ideas expressed by the terms differ in the degree of specificity, i.e., from a general vision to specific objectives.

American national interests can be traced to the grant of authority to the government, i.e., the Constitution. In particular, the Preamble states that the people of the United States established the government --

"... to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty...."

These fundamental interests have endured and are identifiable in recent lists of interests and objectives. The

Bush administration identified national security objectives which are more detailed than national interests.² These objectives are consistent with the prior interests specified by President Reagan in a report to Congress. President Reagan listed national security interests in five areas; i.e. --

1. The survival of the United States as a free and independent nation, with its fundamental values intact and its institutions and people secure.
2. A healthy and growing U.S. economy to provide opportunity for individual prosperity and a resource base for our national endeavors.
3. A stable and secure world, free of major threats to U.S. interests.
4. The growth of human freedom, democratic institutions, and free market economies throughout the world, linked by a fair and open international trading system.
5. Healthy and vigorous alliance relationships.³

It is very important to note two characteristics of the national security interests: the security interests are broader than military interests, and the interests include both domestic and international content. These characteristics greatly influence the types of facts subsequently considered in the analysis of an adjustment to the national security strategy.

Also, it is important to note that the protection or promotion of any one of these interests will probably have an effect on other interests. Therefore, a strategy for one interest needs to complement the other interests. My focus is

²Dick Cheney, Annual Report to the President and the Congress, Washington: U.S. Department of Defense, January 1990, p. 2.

³Reagan, Ronald, National Security Strategy of the United States, Washington: The White House, January 1988, p. 3.

principally on the third and fourth interests, above. The facts in Asia suggest that the free market and trade interests promote the human freedom, democratic self-determination and stable world interests.

NATIONAL SECURITY STRATEGY

In the last couple of years, articles regularly address the U.S. national security in terms of freedom from military and economic harm. This definition of security is broader than the customary Army usage which tends to focus on military interests and power. With the changes in Eastern Europe and Asia, the trend is to pay more attention to the economics. This broader focus is increasingly appropriate for the environment of the 1990s and beyond.

Similar to interests, there is no single official statement of the national security strategy that is regularly updated. A review of the comments by government officials and others, in various public sources, supports the conclusion that, "strategy means different things to different people".⁴ In general, a national security strategy is a plan of action for protecting or promoting national interests; i.e., it's a bridge between the desired end-state and the resources available for promoting the end-state. The national strategy includes specific regional strategies (i.e., geographic) and subject matter or objective-

⁴Dr. William J. Olson, Low Intensity Conflict and the Principles and Strategies of War, Carlisle Barracks: U.S. Army War College, Strategic Studies Institute, 20 May 1986, p. 1.

oriented strategies, e.g., economic or military.

The current U.S. national security strategy originated in the post World War II period. With the end of the war, approximately 80,000 letters a week were received by Congress requesting the discharge of the troops. The U.S. military went "from 11 million to 2 million in about a year and a half".⁵ The U.S. Army went from 3.5 million in May 1945 to 400,000 in March 1946.

The United States intentionally reverted to the pre-war national strategy of isolationism from world affairs. The primary national interest was the domestic economic well-being; i.e., demobilizing the troops and getting industry back to producing consumer goods and providing jobs for the returning veterans.

With demobilization, the United States lacked "sufficient conventional military power" to promote American security interests.⁶ The U.S. withdrawal and drawdown of forces plus the devastation of the war to both former allies and adversaries created a power vacuum. The Soviet Union retained enormous conventional military power in the years immediately after the war. The Soviets exercised their power to deny democracy to some nations in Central and Eastern Europe, and to threaten self-

⁵Powell, Colin, General, "Powell's message: 'Don't break...the good things we have done'", Army Times, 12 February 1990, p.14.

⁶Spanier, John, "American Foreign Policy Since World War II", Congressional Quarterly, 1988, Eleventh Edition, p. 31.

determination in other nations.

The Soviet actions, plus the military and economic weakness of friendly countries, caused a reevaluation of and adjustment to the American national security strategy. Isolationism was replaced with containment as the strategy (or foreign policy).

The national security strategy included components that related to each of the five areas of national security interests, above.

- o National survival strategy involved deterrence and the growth of strategic nuclear capabilities.
- o Stable and free world interests were promoted by forward stationing of American forces in other nations and the creation of alliances.
- o International economic strategies included the reconstruction of internal market economies in the war-torn nations (e.g., the Marshall Plan) and the promotion of free trade in an international market place.
- o Encouraging decolonization and the right of self-determination, and later "human rights" were strategies that focused on the human freedom and democratic institutions interests.
- o Maintaining alliances and improving the capabilities of allies and friendly nations became a strategy.

The U.S. pursued these strategies over the past forty-plus years. For more than 30 years, the U.S. also pursued an "arms

control" strategy as part of the national security strategy.⁷ Naturally, not all the strategies received the same degree of support, nor did the degree of support for each remain the same through all the years.

Under the U.S. security umbrella and with substantial U.S. economic aid, an environment was created that provided the opportunity for people around the world to prosper and for democratic institutions to take root.

DOMESTIC PRESSURES FOR CHANGE

In the latter part of the 1980's, domestic challenges to these strategies became more frequent. Much was written about the decline of the U.S. and the end of the Pax Americana era. Much was also written about the rise of Japan and the future Asian Century. Common recurring themes in both theories were, the decline of U.S. economic power and the high cost of U.S. military power.

With regards the economic power, the twin deficits of the federal budget and international trade were cited as indications of the decline. Many argued that the United States was living beyond its means. The twin deficits reduced the actual or perceived U.S. capability to influence the international environment.

⁷Isaacson, Walter and Thomas, Evan, The Wise Men: Six Friends and the World They Made, New York: Simon and Schuster, 1986, p. 630.

In fact, the United States is hard pressed to provide substantial capital to support the new or reinstalled market economies where pro-Western political change have occurred in Eastern Europe, Panama and Nicaragua. In Asia, Japan is the leading financier of economic development in other nations of the region; also, Taiwan and Hong Kong are financing a lot of the growth.

In part, the relative U.S. decline is a function of the growth of other nations from war shattered economies to modern industrial states. America's relative share of the global market shrank from over 40% to about 20%. Still, the U.S. gross national product (GNP) in 1988 was \$4.86 billion versus Japan's GNP of \$1.84 billion; the per capita difference was \$19,800 to \$15,030.⁸ The point is that the United States still has great economic power regardless of the perception.

With regards the cost of military power, many elected officials and other public commentators have concluded that America can no longer afford the defense strategy because of its contribution to the budget deficit. In addition, the events in Europe raised questions about the need for the military forces at the present size. In essence, many of these commentators believe that the national security strategy requires means (i.e., resources) that eclipse the U.S. will or ability to pay.

Some other commentators looked beyond the U.S. deficits and

⁸The World Factbook 1989, Washington: Central Intelligence Agency, pp. 155, 309.

saw the success of the American strategy.⁹ The American strategy -- the initial and the sustained commitment to containment, the initial foreign aid and sustained commitment to free trade -- all contributed to a global environment in which free people flourished. In the final months of the 1980's, the events in the Soviet Union and Eastern Europe confirmed the success of the U.S. strategy.

However successful the strategy, the situation was fairly summarized as follows: few enthusiasts or critics of the current strategies, "...would suggest that 'containment and free trade as usual' can go on as it has for another generation."¹⁰

SUMMARY

The U.S. national interests include a healthy and growing economy; free market economies throughout the world and free trade among those economies; and a world free of major threats. The U.S. budget and trade deficits harm the U.S. economy and are counter to national interests. The deficits cause domestic pressure for adjusting the strategy. The current U.S. national security strategy involves the containment of communism since communism threatens the national interests. The subsequent sections address the international environment and summarize those key facts bearing on the rationale for an adjustment to the

⁹Bosworth, Barry P. and Robert Z. Lawrence, "America in the World Economy", The Brookings Review, Vol. 7, Winter 1988/89, p. 42.

¹⁰Sanders, Jerry W., "America in the Pacific Century", World Policy Journal, Volume VI, Winter 1988-89, p.51.

national security strategy.

ASIAN ECONOMIC ENVIRONMENT

In general, the economic environment in a region may be conducive to promoting national interests or it may not be. Regardless of whether it is or is not conducive, the economic environment is important in considering an adjustment to the national security strategy.

In the case of the Pacific region, the economic environment is very significant to the U.S. security strategy. The importance rests on two facts. The industrialized or industrializing core nations in the region constitute America's largest regional trading partner. The rate of economic development by most of these core nations is exceptional.

In addition to the present trading relationships, the region possesses the capability for continued, exceptional growth into the next century. With the economic growth comes economic power. Economic power can be used to promote mutual interests or, if used arbitrarily and capriciously, it can become a threat that could jeopardize regional security.

MARKET SYSTEM

In order to provide a common understanding of the region's growth capability and the economic interest, I will very briefly explain the market system. The classic market system involves three factors of production: labor, land and capital. The system works on the principle that labor is free to move, that land can

be sold and that capital can be privately accumulated and freely invested -- and all will move, be sold or be invested for economic gain.¹¹

Regarding the region's favorable growth potential, adequate quantities of all three factors are available within the region. The large population base, landmass (and rich sea) and capital accumulation in the region indicate that continued growth and prosperity are possible and even probable.

However, no single nation in Asia has adequate quantities of all three factors. For the potential to be realized, the nations need each other. In addition to the factors of production, the nations need each other because the market relies on demands that provide the incentive for production. In the final analysis, consumers with money (or credit) generate demands. The nations in the region need the United States since American consumers provide the demands that fuel the production.

No nation has a textbook perfect market system -- governments interfere to varying degrees for public policy reasons. The U.S. economy is based on a market model with less government intervention or management than some other nations. Many of the markets in the region are managed market economies, i.e., there is government intervention. The extension of the market model into the world economy is another U.S. national interest, i.e., free trade.

¹¹Heilbroner, Robert L. and Lester C. Thurow, Economics Explained, New York: A Touchstone Book, 1987, pp. 14-17.

FREE TRADE

Free trade occurs when the products and services of any nation can move among the other nations and compete in the various domestic markets based on economic worth -- as if the world was a single market. In the ideal free trade environment, countries would not use tariffs or non-tariff barriers, e.g., import quotas, import testing and complex licensing procedures.

Free trade involves both the pre-production movement of the factors of production (labor, land and capital) and post-production movement of goods and services. Through trade, the nations of the region gain access to the factors in other nations on the basis of mutual benefit and without resorting to the force of arms.

Through free trade, the nations have access to buyers in the larger, international community. America is the largest single recipient of exports from the most successful nations in the region. The United States has some restrictions on imports but relatively open markets as evidenced by the volume of trade. The American consumers benefit from the variety and price of the these imports.

The volume of trade among the countries in the Asian region and with the United States on the other side of the Pacific is very high. The nations of the region share a common dependence on trade within and across the Pacific Ocean. Trade is essential to the region's economic success and is a major contributor to the stability of the region.

The U.S. has a relatively liberal free trade policy and an interest in having the more developed countries in the region adopt the same.

INDUSTRIALIZATION IN THE REGION

The countries enjoying the extraordinary success in the region are at various stages of industrialization. Japan, Australia and New Zealand are all industrialized nations. The size of the Australian market (GNP) is second only to Japan among the core nations but the growth rate is the second lowest. New Zealand's GNP is among the smallest and its growth rate is the lowest among the core nations.

JAPAN

Japan singularly dominates the region economically. The U.S. played a large role in the recovery and economic rise of Japan and Asia in general. At the national policy level, General MacArthur advised the Japanese on the merits of democratic and market systems. At a pragmatic level, the United States provided economic assistance, open markets and military protection that greatly aided in the rebuilding of modern Japan. Japan adopted and adapted the market system to their culture; i.e., facets of their system are managed rather than market driven, e.g., regulation of the distribution process.

The Japanese islands contain few natural resources, but, a large and well-trained population. Prior to WW II, Japan used military means to acquire the raw materials for industry. After the war, the Japanese still needed to acquire raw materials and

concluded that an export-based economy was needed to offset imports.¹² Over the past forty years, the Japanese government, industry and capital centers cooperated in industrializing the nation consistent with the development of basic industries and export product lines.

Japanese companies have formal and informal ties or affiliations called keiretsu. These relationships foster cooperation among domestic industries and capital centers. This cooperation plus cooperation with government regulators, has led to the fact or the perception of unfair advantage to domestic industries. It is argued that the cooperation is carried to an extreme enabling Japanese firms to target, dominate and destroy competitive industries around the world. For many, these practices confirmed an unfair advantage.

An export based economy can be consistent with free trade if no unfair advantage is given to domestic industry. Unfair advantage can arise from the positive treatment of domestic business as suggested in the preceding paragraph, the negative treatment of foreign business in the form of tariffs and non-tariff barriers or some combination of both.

The use of trade barriers by underdeveloped nations is typically accepted as a means of giving fledgling industries an opportunity to grow and become competitive. However, once an

¹²Sekimoto, Tadahiro, "Meeting the Challenge of the 21st Century", in The Global Marketplace, ed. by Jerome M. Rosow, New York: Facts on File, 1988, p. 149.

economy mat , the barriers must be phased out so that there is a "level playing field" among the competitors. The U.S. has accused Japan of unfair trade practices with regards to supercomputers, satellites and forest products.¹³

The Japanese market model has some very positive attributes, e.g., applying technology to stay competitive in the world markets. The case of Nippon Steel is illustrative. Companies in other nations with modern technology and lower labor costs threatened Nippon's market share. Nippon Steel made double-digit capital investments and became a high-tech manufacturer. A third of the work force was shifted from steel to new ventures. The company recognizes the need to continue this practice.¹⁴

Today, Japan is seen as the economic model for the industrialization of other nations in the region. Some of the reasons include the success of Japan, the fact that Japan now provides much of the capital to assist the industrializing nations and the sharing of technology by Japanese companies. However, sharing technology probably does not mean transferring the latest technology.¹⁵

The Japanese market and trade practices have produced the largest capital surplus in the world at \$350 billion; and,

¹³Asia 1990 Yearbook, Hong Kong: Review Publishing Company Ltd., 1990, p. 70.

¹⁴Haite, Fred, "Japan The Seemingly Unstoppable Giant", The Washington Post, January 21, 1990, p. H7.

¹⁵Sekimoto, p. 149.

estimates are that the surplus will grow to over \$800 billion in the 1990s.¹⁶ Japan has great economic power.

NEWLY INDUSTRIALIZED COUNTRIES

Next in the economic development level are the four newly industrialized countries (NICs): South Korea, Taiwan, Hong Kong and Singapore. All four have experienced double digit economic growth rates during most of the 1980's. The present economic growth rates for the four are still exceptionally high and suggest more rapid growth; i.e., 6.4%, 7.0%, 5.1% and 9.3% respectively in 1989. These rates are much greater than in the industrialized nations, e.g., the U.S. rate was 3.0% and Japan's was 4.7%.¹⁷ Real growth appears to slow down as nations become more industrialized. One can conclude that the economic power of these nations will continue to grow larger in proportion to the rest of the world. Like Japan, foreign trade is essential to the continued industrialization of the NICs. Foreign trade is defined as the sum of all imports and exports. For the four NICs, it is extraordinarily high: 74.5%, 92.5%, 262% and 307% of Gross Domestic Product in 1987 respectively.¹⁸ The U.S. foreign

¹⁶Garten, Jeffery E., "Japan and Germany: American Concerns", Foreign Affairs, Vol. 68, Winter 1989/90, p. 94.

¹⁷"Pacific Overtures", U.S. News & World Report, Nov. 20, 1989, p. 66.

¹⁸Asia Yearbook 1989, Hong Kong: Review Publishing Company Ltd., 1989, pp 6-9.

trade was 0 7%.¹⁹ Like Japan, trade is both the basis for the economic development and a vulnerability because of the high dependency on exports.

ASSOCIATION OF SOUTH EAST ASIAN NATIONS

Most members of the Association of South East Asian Nations (ASEAN) are behind the NICs in terms of industrialization, except Singapore which is a member of both groups. The ASEAN countries are industrializing quickly and include: Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei is the wealthiest of the ASEAN countries because of oil exports. Similar to the NIC's, Japanese capital and technology are being supplied to ASEAN. These nations have market systems and rely greatly on free trade to increase the standard of living for their people. All the ASEAN countries are increasing exports of goods and hope to follow in the NIC's footsteps in terms of economic development.²⁰

U.S. ECONOMIC INTERESTS

The United States has very substantial economic links to the non-communist countries of the region introduced above. With its large and relatively free markets, America is the single largest export market for each of the NICs and also Japan. Japan is the single largest export market for ASEAN; ASEAN exports reach the U.S. directly or through the incorporation into Japanese exports.

¹⁹The World Factbook 1989, p. 309.

²⁰"Pacific Overtures", p. 68.

The entire Asian region is the U.S.'s largest trading partner and accounts for 36% of all U.S. foreign trade, i.e., the sum of imports and exports; the core nations alone account for 31% of all foreign trade. On this side of the rim, Canada accounts for another 19% of all U.S. trade.²¹ The core nations plus Canada account for 50% of all U.S. trade. Yet, because the U.S. economy is so large, all U.S. foreign trade amounted to only 17% of the Gross National Product in 1988.²² The numbers fail to take into consideration how important the imports are in individual sectors of the U.S. economy.

SUMMARY

The information above provides an overview of the current economic environment of the core nations in the Pacific Rim region. On the one side of the rim, the core nations include Australia, Japan, New Zealand, the NICs and ASEAN; on the other side of the rim, the core includes Canada and the U.S.

Economic development is the principal interest of the core nations. The market system is flourishing as the general concept for economic growth; although, managed market systems along the Japanese model seem to be prevailing. The democratic system of self-determination by the people seems to be following the

²¹Henry, L.L. and M.G. Harstad, The Economic Importance of the Asia-Pacific Region to the United States, Hawaii: U.S. Pacific Command, Strategic Planning and Policy Directorate, November 1989, p. 6.

²²The World Factbook 1989, p. 309.

economic development. Trade is critical for the economic development of the region.

No one nation produces all that it consumes, nor consumes all that it produces; trade is essential to all. The single largest trading partner for each core nation is another core nation. For example, Canada is the U.S.'s largest national trading partner and Japan is the largest trading partner for many of the ASEAN countries. The economies of the individual nations are substantially interdependent among themselves. Because of its size, the U.S. economy is the least interdependent but still very dependent in specific sectors.

Based on the current growth trends and the potential of the region, this market can expand dramatically in the next decade and into the next century. Trade is critical for the economic development, prosperity and rising standards of living for all the people in the region. Trade is dependent on consumer demands and free trade that allows competitive market forces to meet the demand with the best value products.

The region is and will remain very important to the U.S. economy, other free market economies and threat-free world interests.

Managed market economies and controlled free trade may put American industry at a disadvantage and threaten U.S. prosperity. If an economic threat grows and the military threat remains the same or reduces, the economic prosperity interest may well increase in importance as an underpinning of the national

security strategy.

ASIAN MILITARY ENVIRONMENT

The Asian-Pacific region includes countries with eight of the ten largest armed forces in the world, i.e., Soviet Union, Peoples Republic of China (PRC), U.S., Vietnam, North Korea and South Korea, India and Pakistan. (Recall that the entire subcontinent including India and Pakistan are not included in this analysis.)

This section focuses on the same core nations as the other sections; the core nations are not a military threat to each other. Four of the external nations are communist. Three of those (PRC, Vietnam and North Korea) have much of their military capability invested in land forces. Without power projection capability and with the geographic dominance of the ocean, the land forces are principally a threat to contiguous nations only.

The actual safety of a nation can be threatened from within by insurgency or from beyond its borders by other nations. The external threat can be nuclear, conventional or both.

Generally, the military estimates the threat based on the capability of a possible adversary, i.e., the troops and equipment and, to a lesser extent, the intent of a possible adversary, i.e., declaratory statements and the adversary's national will. Others suggest that the threat should be based more on the intent of a possible adversary. The perceived threat, the national resources available including the economy

and population, and other variables influence the size and type of military forces that a nation creates. This military power provides one means of promoting the national security strategy.

Military power can be amplified by defense agreements and alliances (i.e., by combining the power of more than one nation), and by "arms control" (i.e., by capping or reducing the threat).

In fact, the United States has defense agreements and less formal arrangements with many of the nations in the region. In addition, five of the seven formal U.S. alliances include nations in the region, specifically:

- o Australian-New Zealand-U.S. (ANZUS) alliance
- o Treaty of Mutual Cooperation and Security with Japan
- o Mutual Defense Treaty with the Republic of Korea
- o Mutual Defense Treaty with the Republic of the
Philippines
- o Southeast Asia Collective Defense Treaty with Australia,
New Zealand, the Philippines, Thailand, France and the
United Kingdom.

No multilateral conference or other forum exists in the region to promote "arms control." Arms control here refers to the entire spectrum of activities ranging from confidence-building measures, through arms reductions to selective disarmament.

The nations in the region have different ethnic, cultural, and religious backgrounds and some old animosities. The PRC and India are expanding their power projection capabilities and thus

increasing their regional military power. With the growing national wealth in the region, the potential exists for other nations to purchasing modern weapons in a local arms race.

COMMUNIST MILITARY ENVIRONMENT

Most of the remaining communist countries in the world, i.e., the Soviet Union, the PRC, North Korea, Vietnam, Laos and Cambodia are in the region and bordering on the core nations. Each of the communist countries also shares at least one boundary with another communist nation. The neighboring communist countries generally have territorial disputes and have engaged in armed conflicts with one another within the last decade or two.

A valid assumption for analyzing the military environment is that all the nations in the region desire a safe environment. However, the nations may differ on the definition of safe environment and the way of attaining the environment, i.e., the security strategy.

Arguably, during the "cold war" a safe environment was interpreted to be one of ideological consistency; and much of the security strategy involved promoting one's own or containing the adversary's ideology. This led to conflicts between communist and non-communist forces within the region. Interestingly, since the Vietnam War, the communist governments have not used direct force with their non-communist neighbors; although, they have supported insurgencies.

At the present time, the only "hot" war in East Asia is in Cambodia. The Vietnamese have officially withdrawn from

Camb ; however, Vietnamese-backed forces, Chinese-backed forces and non-communist forces are all fighting each other. The Philippines also has an insurgency conflict that involves communist and non-communist rebels.

Certainly the most dangerous flash point in the region for a communist to non-communist war is the Korean peninsula. North Korea has and is likely to maintain a quantitative advantage over the South into the mid-90s (although both its population and economic bases are much smaller than the South's). The North seeks reunification under the communist dictatorship. Until the aged President (dictator) Kim Il Sung passes on, the threat is substantial.

Other than North Korea, the communist governments now seem more interested in economic contacts to improve the standard of living in their nations. The governments are willing to work with private sector corporations. However, the suppression of the democratic movement at Tiananmen Square in June 1989 suggests that each communist government probably has an intuitive limit on the acceptable level of change at any particular point in time. The threshold for change does vary with time.

The Soviet Union is reducing some naval forces from Cam Ranh Bay and Foreign Minister Shevardnadze has stated that the Soviet Union intends to withdraw all military forces from (Southeast)

Asia.²³ In addition, the Soviet Union has been involved in a number of other unilateral reductions; however, they have improved the quality of the forces in the region.

NON-COMMUNIST MILITARY ENVIRONMENT

In general, the non-communist core nations are improving their military capability at modest rates. In 1985, Japan extended the area of responsibility for the self-defense forces to protect the sea and air lanes to a 1,000 miles beyond its coasts. This includes an area, "as far south as the Philippines and up to 500 miles on either side of the Soviet city of Vladivostok".²⁴ The Japanese are, "spending approximately one percent of GNP on defense (and) it is already close to being the third highest in terms of absolute spending...."²⁵

In terms of size of the armed forces, the core nations are dwarfed by the communist military establishments. The non-communist nations emphasize quality over quantity, e.g., Japan, Thailand, Taiwan and South Korea all have modern armed forces of about 250,000 to just over 600,000. As mentioned at the beginning of this chapter, there are also alliances, agreements and arrangements among many of the core nations and the United

²³Richburg, Keith B., "Soviet Forces Cut Could Affect U.S. Bases Talk", The Washington Post, January 20, 1990, p. A16.

²⁴Jerry W. Sanders, "America in the Pacific Century", World Policy Journal, Volume VI, Winter 1988-89, p. 56.

²⁵The Honorable Dick Cheney, Remarks on Security, Delivered at the Japan National Press Club, Tokyo, February 23, 1990.

States which may reduce an individual nation's need for larger armed forces.

There are issues that have and could again involve the core nations in armed conflict or war, e.g., boundary disputes (e.g., Chinese and Vietnamese ships have exchanged shots over the Spratley Islands which the Philippines and Malaysia also claim), insurgencies (e.g., on-going in the Philippines; Malaysia), and nationalism issues (e.g., reunification of Korea and of Taiwan with China; U.S. forward basing).

The notion of nuclear free zones (NFZ) is very important to many nations in the region. The U.S. policy of not declaring whether a ship is carrying nuclear weapons has cost the United States political goodwill; also, the policy and a New Zealand statute banning nuclear arms has caused a break with a long standing militarily ally.

U.S. MILITARY INTERESTS

The U.S. military interests include sea lines of communication (SLOC), free passage through critical straits and forward presence of military forces. Trade, and particularly trade across the ocean, is critical to the market economies of allies and friends, as well as the U.S. economy. The trade is borne along the SLOC and through the key straits; forward presence demonstrates the national commitment to protect the SLOC and guarantee the free passage.

The region involves great distances even from Hawaii to the Asian side of the rim. The forward presence in South Korea,

Japan, Okinawa and the Philippines permits a rapid response to a regional crisis.

The withdrawal of the Soviet fleet to its territorial waters suggests a reduction in the threat; however the reduction is offset by modernization of equipment. While the net result is uncertain, it seems logical that the response time for a Soviet threat has increased. In addition, the military growth of regional nations with power projection capability, e.g., navies, also offsets the Soviet reduction. The U.S. interests remain the same, only the size of the forward deployed forces is a valid subject for adjustment.

The withdrawal of the Soviet fleet should provide the occasion for reevaluating the U.S. policy of not declaring the presence of nuclear weapons on board surface ships. The benefit to be gained from forward deploying nuclear weapons on surface combatants is marginal yet the policy demonstrates a lack of sensitivity to an important regional issue. The U.S. interests would best be served by maintaining the good-will and cooperation of the nations in the region. A change in this policy may produce considerable good-will.

SUMMARY

No Asian alliance was ever created analogous to NATO. It is often suggested that there was no common threat shared by most of the nations. Still, two allies and a friendly nation have developed potent military forces in response to specific threats. Japan and South Korea are the two allies; and Taiwan is the

friendly nation. South Korea and Taiwan feel a need for substantial military power because of obvious, individual threats. Japan is developing a substantial military power, at the encouragement of the United State, to protect vital sea and air lines of communication.

The PRC continues (as well as India) to develop power projection capabilities while other nations seem to be modernizing defensive capabilities.

The Soviets are the only nation in the region capable of striking the U.S. mainland. Within the region, the U.S. cooperation with the PRC and Japan produced a counter balance to both the Soviet presence and its support to North Korea and Vietnam. The Soviets are now drawing back from forward deployed locations in Vietnam. The Soviets no longer seem to be pushing the communist ideology as they explore their own brand of a market system. This will likely have a dampening effect on their client-states, as well. The military superpower threat to the U.S. seems to be abating in the region.

Within the region, the Pacific Ocean is a dominant factor and the United States has the only military power projection capability that spans the region. The tremendous dependency on the sea lines of communication and transit through the essential straits remain significant U.S. interests for ourselves directly and indirectly because of our dependence on the well-being of our trading partners. There are certain territorial disputes in the region that could flare up again. However, it is hard to imagine

a U.S. role in any local conflict, which does not interfere with the sea transit, except as a peacemaker.

During his trip to the Far East in February 1990, Secretary of Defense Cheney indicated that the U.S. is discussing downward adjustments to its forces in the region.

The most dominate power in Asia as the 1980's drew to a close was not military; it was economic power that stroked the development of many nations in the region and the growing prosperity for the people. Equally as important as the past developments is the fact that the region has the capability for continued, exceptional growth. The core of nations is leading the way. An old adage was that trade followed the flag; however, in contemporary Asia, trade is proceeding rapidly without any apparent need for the flag.

COOPERATION AND SECURITY EXPERIENCE

In general, the subject of "arms control" includes a wide range of very diverse activities. Arms control may involve specific types of military equipment and/or forces; a primary distinction is made between nuclear and conventional capability. Arms control involves quantitative limitations on the things under discussion.

Arms control can be thought of as two parallel lines or continuums, one for nuclear and the other for conventional capabilities. On the left side of each continuum is a complete ban on the arms (the zero option) and on the right side is a cap

on the growth of arms; and, in between, is an infinite array of options to stop the growth or reduce the quantities. Cooperation and security refers to certain types of arms control actions to cap or begin the reduction.

INITIAL ARMS CONTROL NEGOTIATIONS

The U.S. arms control experience involves negotiations with the U.S.S.R. because the Soviet Union is the only nation that has the capability to threaten the U.S. homeland. The U.S.S.R. has nuclear weapons and the capability to deliver them on the United States in about 30 minutes. In 1958, the Soviet Union lacked this quick delivery capability, but both nations recognized the great threat posed to each by nuclear weapons. The initial U.S.-U.S.S.R. arms control negotiations began with discussions on a nuclear test ban in 1958.

The initial test ban negotiations halted with the downing of the U.S. U-2 aircraft over the U.S.S.R. in 1960. In October 1962, as part of the final response to Moscow at the end of the Cuban missile crisis, President Kennedy suggested to Chairman Khrushchev that the test ban talks resume. In July 1963, Khrushchev agreed to resume the talks. The U.S. negotiator, Averell Harriman, was able to negotiate a nuclear test ban agreement with the Soviet Union in 12 days at Moscow.²⁶ An important observation is that when the national leaders of the negotiating parties have the authority and the desire, an

²⁶Isaacson and Thomas, pp. 630-32.

agreement can be worked out.

STRATEGIC ARMS CONTROL NEGOTIATIONS

The present series of negotiations on arms reductions in Europe were a result of the NATO Ministers' report on the Future Tasks of the Alliance, December 1967. In June 1968, the NATO ministers proposed mutual arms reductions; but, the Soviets wanted a Conference on Security and Cooperation in Europe (CSCE). In any event, the Soviets moved into Czechoslovakia in August 1968 and that ended any chance of discussions.²⁷

In December 1969, informal discussions began that led to the signing of the Strategic Arms Limitation Talks I (SALT I) Agreements in May 1972, by Secretary Brezhnev and President Nixon. The word strategic in the name SALT I refers to intercontinental nuclear capability. SALT I limited the anti-ballistic missile (ABM) sites to two in each nation and limited the quantity of offensive missiles for five years.²⁸ The Secretary General and the President both also expressed an interest in reducing forces in Europe.²⁹

Immediately after the signing of SALT I, negotiations were begun on SALT II; an agreement was signed in June 1979 but never ratified. The U.S. and the U.S.S.R. have both demonstrated a

²⁷Shaver, David E., On Disarmament: The Role of Conventional Arms Control in National Security Strategy, Carlisle Barracks: U.S. Army War College, 1989, pp. 1-3.

²⁸Kinnard, Douglas, The Secretary of Defense, Lexington: University Press of Kentucky, 1980, pp. 115-116.

²⁹Shaver, p. 3.

desire to negotiate in the strategic nuclear area.

CONVENTIONAL ARMS CONTROL NEGOTIATIONS

This review of key negotiations is divided into two parts since the experience differed significantly; one may also reasonably imply from the facts that the intent of the U.S.S.R. has changed.

INITIAL NEGOTIATIONS

Based on the endorsement by Brezhnev and Nixon at the signing of SALT I, representatives from the member nations of the North Atlantic Treaty Organization (NATO) and Warsaw Pact Organization (WPO) met in January 1973 to discuss the process for the Mutual Balanced Force Reduction (MBFR). The Soviets agreed to the MBFR in exchange for the CSCE discussions.³⁰ The MBFR talks continued for the next decade until terminated in February 1989.³¹ The NATO side was trying to achieve conventional force reductions; the Soviets were not.

The first CSCE was convened at Helsinki in July 1973 and included 35 nations -- all the European countries except Albania plus the U.S. and Canada. In August 1975, the Final Act was signed by the 35 participating nations and included four sections. Section One recognized the "inviolability of frontiers" and included confidence-building measures which addressed notification for and observers at maneuvers. Section

³⁰Ibid., p. 3.

³¹Ibid., p. 11.

Two addressed economic, technological and environmental cooperation. Section Three is the famous section on human rights. Section Four provided for a follow-up conference in June 1977 instead of a continuing organization. CSCE did not address force reductions or disarmament.³²

At the close of a subsequent CSCE meeting in Madrid in September 1983, the members agreed to a separate Conference on Confidence-and-Security-Building Measures and Disarmament in Europe (CDE). The CDE is a subset of CSCE which addresses restrictions on the activities of military forces.³³

ARMS REDUCTION NEGOTIATIONS

In April 1986, Secretary Gorbachev proposed substantial reductions in land and air forces from the Atlantic-to-the-Urals (ATTU). From July 1987 to February 1989, the NATO and WPO participated in the Negotiations on Conventional Armed Forces in Europe (CFE) and produced a Mandate for CFE negotiations.³⁴

The CFE negotiations involve 23 sovereign nations, 21 in Europe plus the U.S. and Canada. Since the negotiations involve sovereign nations, consensus is required as opposed to majority rule. Basically, consensus means that none of the nations disagree with the results.

³²Ibid., p. 6.

³³Ibid., p. 6-7.

³⁴Ibid., p. 10.

cally, the CFE negotiations involve four objectives with the parties agreeing in principle on two of them.

- o NATO and WTO want to eliminate the capability for surprise attack and large scale offensive actions.

- o NATO and WTO want adequate verification of compliance and maintenance of the force balance over time.

- o WTO wants commercial and economic opportunities; NATO leaders want a more cooperative and less confrontational world.

- o WTO wants to eliminate short range nuclear forces; NATO leaders want U.S.-Soviet bilateral negotiations to follow a CFE agreement.³⁵

Even where the parties agree on the objectives, the formulation and agreement on specific details are quite difficult. What elements of military power will be included -- i.e., equipment, personnel and force structure? Within these three elements, what specifically will be included? E.g., what types of -- equipment (e.g., aircraft) and specific equipment within a type; personnel (e.g., paramilitary and civilians); units (e.g., combat, combat support and combat service support).

What are the geographical boundaries -- both overall and for sectors within the overall boundaries? What limits are appropriate for individual nations within each sector?

³⁵Ibid., paper by Colonel Ralph A. Hallenbeck, "NATO's Objectives in the Conventional Arms Negotiations: Greater Stability and Security in Europe," p. 85-86, 109.

What rules are needed for reducing equipment in manned units versus equipment in unmanned storage? What can be done with the equipment in excess of the agreed ceilings (e.g., destroy it)? What can be done to the units associated with manpower reductions (e.g., demobilize them)?

What verification methods are acceptable to insure initial reductions and subsequent compliance?

Many of the same sort of issues will have to be addressed in any arms control negotiations. Both President Bush and President Gorbachev are looking forward to signing an agreement, perhaps as early as June, 1990.

SUMMARY

In each of the successful negotiations, the national leaders wanted the process to succeed and trading of lesser interests for more important interests. Successful arms control negotiations need not mean arms reduction. Confidence building measures alone can be a major success. This is particularly true where there is a lot of distrust or probably where not all the nations in a region participate.

The Final Act from the CSCE at Helsinki offers a model of an agreement that would serve the Pacific rim region well. The focus is to create stability which is certainly a U.S. national interest. Sections one through three should be equally applicable in the region.

The sort of issues identified with the CFE shed light on the difficulty of arms reduction negotiations. This sort of more

de . . . negotiations should follow after an assessment of the effectiveness of the CSCE-type agreement.

There are many who believe that since the Fall of 1989, the events in Europe have out-paced the formal CFE process. This could also happen after a successful CSCE-type agreement for the Pacific rim, too.

REFLECTIONS

This final section reflects the author's conclusions and proposals; others may share the same or find these helpful in formulating their own ideas.

The U.S. national strategy is a plan of action for promoting or protecting national interests. The principal national interests include the survival of the U.S.; a healthy and growing economy; the growth of human freedom, democratic institutions, free market economies and free trade; and, vigorous alliances. From the end of WW II until the events in Eastern Europe in the fall of 1989, communist nations and particularly the Soviet Union actively threatened these interests by pursuing their interest of ideological hegemony. The U.S. national strategy and foreign policy was containment of communism. The national security strategy included deterrence, forward defense and alliance for mutual defense. More than 30 years ago, arms control was added as a national security strategy to protect the national interests.

The military threat to the United States seems to be ebbing

as the Soviet Union concentrates inward on remedying its own economic disaster. The Soviet strategic nuclear threat has not changed appreciably and remains the only capability to destroy the U.S. homeland. The Soviet actions in Eastern Europe, within its Asian territory and Afghanistan, and with its client in Asia, Vietnam, certainly do suggest a reduction of the threat to the American national interests.

The federal budget and trade deficits are viewed by many in the U.S. as a threat to a healthy and strong economy. The defense budget contributes to both the national survival interest and the budget deficit. The argument goes that anything more than essential for defense harms the strong economy interest. The actions by the Soviet Union validly bring into question the issue -- what is essential for defense?

The trade deficit is particularly harmful to a strong U.S. economy because of its large size over a number of years. However, the great volume of imports has contributed to the dramatic success of market economies in allied and friendly nations -- another U.S. interest. Democratic trends and human rights seem to follow as market economies prosper -- other American interests. An important observation is that not all national interests are best served by the same set of events.

A substantial portion of the trade imbalance is with the Pacific rim trading partners -- allies and friends. The Pacific rim core nations are committed to economic development and are adopting managed market systems. The governments are promoting

industrialization and exports for rapid economic development. Industrialization brings urbanization and access to modern worldwide mass communications. Televisions provide pictures of world events as well as entertainment that illustrate the living standard in other industrialization nations. Arguably, this vision-based knowledge creates pressure for improving the local standard of living, personal liberty and the right of self-determination. This mass access to visual-based information is both significant and unique to the present era.

The very successful market economies become models for emulation and probably have contributed to Soviet changes. The lesser developed countries and, very importantly, their people look at the developing nations as models for themselves. The fact that the market system works so well is an incentive for governments in non-market systems to come over and share in the success.

The budding industries in the small, lesser developed countries will absolutely rely on export markets to "prime the pump". As the nations become industrialized, the income for their workers should rise. The United States needs to work with these smaller nations to arrive at an even playing field for imports, i.e., where we treat each other's exports similarly so that the consumers in both countries win and industries can compete fairly.

The success of this scenario is contingent on access to export markets and on freedom of the sea for transport. The

American consumers provide the largest single export market for the region. The American perception is that the military threat is reducing and trade is increasingly a threat.

Economic power is, or is fast becoming, the principle basis for power in the region. The United States has economic power because of its vast market and free trade. Unfortunately, Americans import more from the region than we export to the region. Many of the imports are manufactured goods and high technology items; this denies very important new technology fields to American industry.

The perception is that in some instances the U.S. is not allowed to play because of unfair business and government practices abroad; i.e., managed market practices. These practices are viewed as a threat to America. Yet, managed market economies are viewed as the tool for success in the region.

An important assumption for economic growth is that consumers will be available to purchase the products at fair prices. In a large degree, the United States has provided the consumers at the cost of a large trade deficit. By running these deficits, the America will not be a successful player in the long run. The United States needs to work with its partners so that they collectively absorb more of the production (their's and our's). America also needs to work on domestic programs that will promote more competitive export industries.

Since the United States has become a debtor nation, it lacks another form of economic power, i.e., the capability to provide

substantial amount of capital for industrialization in the region. However, the U.S. can work within international organizations to multiply its contributions, e.g., the International Monetary Fund and the World Bank. Japan provides more capital to the region. The nations need both the Japanese capital and the American consumer market; however, economic power and leadership roles may well shift to Japan.

Power in the world is important. Arguably, the political events in Europe and the industrialization surge in Asia are in part a result of U.S. power and a strategy and commitment to use the power over the past forty-five years.

The core nations in the region are very much interdependent. The nations are cooperating and competing in their development without any military threats among the trading partners. The cooperation produces a peaceful, stable international environment that is conducive to long-term capital investment. No formal multilateral organization exists for promoting trade, economic development, cooperation or security.

The probability of war involving U.S. trading partners is low. Insurgency, terrorism and drug trafficking are all present in the region. Improving the real standard of living will probably reduce the appeal of insurgency. Terrorism could go either way; but drug trafficking may go up. The local military establishments need to be able to support the elected governments in much the same way as the U.S. forces support our government.

Within the theater during peacetime, the U.S. Army needs to

work with the trading partners to foster the development of well-trained and well-lead armies. Also, the U.S. Army needs a presence to promote cooperation and confidence-building measures. The U.S. Army needs to be prepared to move great distances rapidly and reinforce these allies and friends.

Among the core nations, only Taiwan and South Korea face serious territorial threats from their communist neighbors, the PRC and North Korea respectively. Both the PRC and North Korea possess large quantities of forces -- particularly land forces -- and some very modern weapons. At present, the probability of the use of force seems low.

In the case of the PRC, the U.S. should continue to pursue a policy of dialogue with the intent of restoring as much people to people contact as possible. The exposure to the Western system, which allows and rewards personal initiative, will continue to build a groundswell for change when the opportunity arises. The contact should help to reduce the tension since June, 1989. This should help to restore the previously improving relations between the PRC and Taiwan; also it should help to remind the PRC of the benefit of fulfilling the agreement on Hong Kong.

The Pacific Ocean is an avenue for trade as well as a moat for protection. In many respects, the Ocean and the lack of large navies in the region reduce the capability for conflicts. The vast size of the Pacific Ocean greatly influences and will continue to influence the U.S. strategy. The sea lines of communications (SLOC) and rights of free passage are essential to

the U.S. and trading partners.

The U.S. military protects the SLOC and the free passage through the critical straits in the region. The national military strategy of forward presence contributed to a stable environment that has been conducive to the economic growth. The U.S. military is rightfully credited with having significant maritime capability in the region and well respected for not abusing the power. The military presence produces goodwill to offset, in part, the loss of economic power.

In part, the U.S. fleet is in the region because of the Soviet fleet. The reduction of the Soviet threat should not be the sole rationale for any change in the U.S. fleet. The U.S. fleet is also in the region because of major economic interests which are likely to become even more important over time. The United States needs to maintain a potent, forward deployed naval force because of ocean-borne trade, the great distances from the U.S., the vast area to be covered and the quantity of critical choke points. The U.S. fleet is virtually the only navy capable of projecting power throughout the region. The presence of the U.S. Navy assures the right of free passage in the region that is essential for the great volume of trade.

Any decision to reduce the fleet needs to consider American interests first. Next, consider other factors such as the Soviet threat and the regional threat, and the means available, e.g., the number of ships and the hardship on service members when a small number of ships requires excessively long periods of time

away from home to serve the country.

Many of the nations are seriously concerned about the presence of nuclear weapons in the region. The withdrawal of the Soviet fleet may provide the opportunity for reevaluating the U.S. policy of not declaring the presence of nuclear weapons on board surface ships.

With the withdrawal or even the substantial reduction of the Soviet fleet, the nuclear threat to the Navy will be greatly reduced. The reduction in the threat may, in itself, warrant a change in policy. A better alternative would be the removal of our nuclear weapons on surface ships in exchange for a similar Soviet action. This would reduce a very real threat to the U.S. fleet. In addition, such a pro-active American proposal would send a positive message to friends in the region who desire a nuclear free zone. American implementation could involve repositioning nuclear weapons to holding areas and moving them forward if the threat escalates. (Dummies could also be moved forward to mask true deployments.) Such a process would provide an escalatory step. A change in this policy may produce considerable good-will and additional confidence in American leadership.

The United States needs to continue working with the other nations to protect critical straits. For example, with American encouragement, Japan has declared a thousand mile protection zone. Our interest is the protection of the SLOC and not American presence to protect the SLOC.

The cooperation among the trading partners has reduced the importance of military power among the. However, military power is still important in relations between the core nations and other nations in the region. American military power provides an umbrella over the region in general and the core nations in particular.

The U.S. military presence contributes to a stable environment that is conducive to trade and capital investment. International capital investments produce mutual business interests in stability and economic growth. The mutual business ventures contribute to interdependency, good relations and reduced military threat among the nations. The strong economic performance seems to be reducing the need for military power. A treat to stability and security in the area arises from trade deficits; particularly, the large American trade deficit. The trade issue really transcends bilateral relations because of the potential effect on a number of the core nations. (Similarly, a comprehensive solution of the trade issue really involves a number of departments and agencies.)

Some of the core nations are interested in creating an international forum for economic cooperation. Economic interests are an element of national security. Pursuing one set of interests singularly, e.g. economic interests, may result in situations that are less complementary or even counterproductive to other interests. Pursuing the various elements of the national security interests concurrently, arguably, will produce

a more balanced result -- and a better result in the long run. The U.S. ought to take an active role in promoting a multilateral forum of nations that share common interests. The forum should be a place to discuss regional issues, to include trade, since the countries are so interdependent. Other common issues would be good candidates for multinational discussion, e.g., the environment, drugs, terrorism and human rights; also, military cooperation and confidence-building.

The U.S. national interests and the evolving regional environment present issues that relate closely to the subject matter of CSCE. The CSCE Final Act from Helsinki offers a model for both the subject matter and an approach for multilateral negotiations that would probably serve the core nations, the United States and Canada, and perhaps the Pacific rim region well.

The recognition of the "inviolability of frontiers" and an agreement on military confidence-building measures would very likely serve every nation's security interest. Similarly, the core nations and the United States need to address trade, economic, technological and environmental issues. Human rights are as important in Asia as in Europe. Modern industrial countries should endorse similar standards for the protection of the individuals and ultimately, the stability of the nation. Because of the pervasiveness and importance of the issues, plus the rapid rate of change, it would probably be best to have a standing conference as opposed to an intermittent one.

; the Preamble suggests, the government's "business" is to provide for the national security and the opportunity for domestic prosperity. These are really universal interests of all nations. The facts above suggest that a good way of promoting these interests would be to work collectively with allies and friendly nations.